

CYIENT

CYIENT'S EARNINGS CALL— Q4 AND ANNUAL RESULTS FY16

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Year that was – Summary FY16

Financial Highlights for FY16

- Revenue up 13% YoY at ₹ 30,956 Mn, Growth of 10% in constant currency and 6% in \$ terms at \$ 472 Mn
- Operating Profit at ₹ 4,249 Mn; up by 6% YoY. Operating Margin stands at 13.7%
- Net profit at ₹ 3,262 Mn; net profit excluding one off at ₹ 3,442
- Strong cash flow generation of ₹ 3,378 Mn (excluding Rangsons): DSO lowest ever 79 days. Tax rate lowest at 23.9%
- Highest ever Cash balance at ₹ 7,742 Mn (\$117 Mn) despite four acquisitions and increased dividend payout in last 2 years.
- Paid total dividend of ₹ 7/share already paid & no final dividend, dividend payout @30% continues for last 2 years.

Year that was – Summary FY16

Business Highlights for FY16

- Acquired Aerospace aftermarket services business of Pratt & Whitney Singapore (GSE Asia) in Q2 FY16
- Recognized by Pratt & Whitney as their most innovative supplier for 2015 for the third consecutive year
- Recognized as the Best Tech Brand by Economic Times for the year 2015, in the IT and Engineering Services subcategory
- Onsite delivery center in Australia was established to further strengthen communication vertical
- Added 91 new clients during the year, 43 in Data Network & Operation (DNO), 39 in Engineering (ENGG) and 9 in Product Realization (PR)

Quarter that was – Summary Q4 FY16

Financial Highlights for Q4 FY 16

- Q4 FY16 Revenue stood at ₹ 8,158 Mn, up 4.4% QoQ
- Revenue up 2.6% QoQ in constant currency growth in services business on back of Engg growth at 2.9% as well as Product realization business.
- 14% growth in Free Cash Flow (FCF) generated (Excluding Rangsons), robust FCF stands at ₹ 909 Mn, 73% of EBITDA ; DSO stands at 79 days- lowest ever
- Operating Profit is ₹ 1,064 Mn; at 13.0% operating margin
- Net Profit for Q4 FY16 is ₹ 659 Mn; net profit excluding one off stands at ₹843Mn
- – Europe, Middle East, Africa and India posted a robust growth of ~11% QoQ on constant currency basis
- – APAC posted a robust growth ~9% QoQ on constant currency basis
- – Engineering business grew by 2.9% QOQ on constant currency basis
- – DNO business grew by 1.1% QOQ on constant currency basis

Quarter that was – Summary Q4 FY16

Business Highlights for Q4 FY 16

- Cyient has been appraised at **Maturity Level 5 CMMI DEV 1.3 Level 5** for full life cycle Software Development Processes. This **enhances the defense offset opportunity** for Cyient in services
- Cyient has further expanded its delivery center in India in Warangal, Telengana, with a capacity for 1000 workforce.
- For strategic geographical growth Cyient has entered into strategic alliance;
 - With Optimal Design Solutions (ODS), which provides access to Cyient on the ongoing broadband expansion in Australian telecom market and penetration into top clients within that segment.
 - With strategic partner in Israel., to further augment the existing presence, MOU has been signed with the partner.
- 22 customers added during the quarter, 11 in Data Network & Operation (DNO), 9 in Engineering (ENGG) and 2 in Product Realization (PR)

Revenue at a Glance

Company Revenue	Q4 FY16	Q3 FY16	Q2 FY16	Q1 FY16	Q4 FY15	Growth	
						QoQ	YoY
Revenue (in US\$ mn)	120.9	118.4	118.4	114.3	117.4	2.1%	3.0%
Revenue (in INR mn)	8,158.4	7,817.9	7,716.6	7,262.9	7,300.3	4.4%	11.8%

Growth by Segments (in US\$)

Operating Unit	QoQ	YoY
Engineering	2.5%	3.4%
DNO	-1.4%	-2.8%
PR	14.3%	0.0%
Geographies	QoQ	YoY
North Americas	-4.6%	-4.8%
EMEA and India	10.9%	-1.1%
Asia Pacific	9.5%	37.0%
PR (incl. Rangsons)	14.3%	0.0%
Cyient + Rangsons	2.1%	3.0%

Drivers for Q4

- Engineering grew by 2.5% QoQ in USD terms
- DNO excluding Softential grew by 9% QoQ in USD term
- PR and Rangsons grew by 14.3% QoQ in USD term
- All Geos grew in Q4 except NAM
 - APAC posted growth of 9.5% QoQ and 37.0% YoY
 - EMEA grew by 10.9%
 - NAM grew by 0.5% excluding Softential

Profit and Loss Statement – FY16

<i>(in ₹ millions)</i>	FY16 reported	FY16 adjusted	One offs	FY 15
Operating Revenues	30,956	30,956		27,359
Cost of Revenues	20,080	20,080		17,129
Gross Profit	10,876	10,876		10,230
SG&A	6,627	6,627		6,217
Operating Profit	4,249	4,249		4,013
Depreciation & Amortization	893	837	56 ¹	713
Financial Expenses	199	199		80
Other Income	1,064	1,100	36 ²	1,236
Exceptional Items	87	0.0	87 ³	-
Tax	986	986		1,096
Associate Profit & Minority Int.	115	115		173
Profit After Tax	3,263	3,442	179	3,532
Basic EPS (INR)	29.0	30.6	1.6	31.5

Gross Margin	35.1%	35.1%		37.4%
Operating Margin	13.7%	13.7%		14.7%
Effective Tax Rate	23.9%	23.8%		24.6%
Net Income Margin	10.2%	10.7%	0.5%	12.4%

FY16 Variance

Operating Profit Movement:

- The impact of wage hike offset by operational improvements.
- The decline in operating margin mainly driven by Rangsons being at lower margin (65 bps) and lower revenue and change in revenue mix from Softential (100 bps)

Profit After Tax Movement

- Operating profit higher than FY15
- Tax rate continues to improve due to focus on SEZ deployment.
- The net profit during the year has been impacted due to one offs by ₹ 179 Mn :
 - ¹Reassessment of depreciation for the full year on account of salvage value and residual life
 - ²Foreign exchange impact on other income impact during the quarter
 - ³Retrospective change in bonus act

Profit and Loss Statement – Q4 FY16

<i>(in ₹ millions)</i>	Q4 FY16	Q4 FY16 adjusted	One offs/ external	Q3 FY16	Q4 FY 15
Operating Revenues	8,158	8,158		7,818	7,300
Cost of Revenues	5,370	5,370		5,128	4,726
Gross Profit	2,788	2,787		2,690	2,574
SG&A	1,724	1,724		1,587	1,675
Operating Profit	1,064	1,064		1,103	899
Depreciation & Amortization	295	239	56 ¹	221	186
Financial Expenses	59	59		36	43
Other Income	222	263	41 ²	246	399
Exceptional Items	87	0	87 ³	-	-
Tax	190	190		227	172
Associate Profit & Minority Int.	6	6		6	42
Profit After Tax	659	843	184	869	938
Basic EPS (INR)	5.9	7.5	1.6	7.7	8.4

Gross Margin	34.2%	34.2%		34.4%	35.3%
Operating Margin	13.0%	13.0%		14.1%	12.3%
Effective Tax Rate	21.5%	21.5%		20.8%	16.1%*
Net Income Margin	7.9%	10.1%	2.2%	10.8%	12.2%

Q4 QoQ Variance

Operating Profit Movement:

- The gain of higher billing days (~100 bps) offset by the headwind from offshoring (110 bps)
- Softential lower revenue, mix and one offs leading to margin erosion (150 bps) partly offset by better Rangsons performance (25 bps)

Profit After Tax Movement

- Flat Operating profit
- While tax rate may vary in-between the quarters due to change in profitability mix; the tax rate for full FY16 is 23.8% which is more representative. Special Economic Zone (SEZ) benefit continue to improve tax position which helped us to improve our tax rate by ~80 bps over last year
- The net profit during the quarter has been impacted due to one one offs by 184 Mn
 - ¹Reassess of depreciation for the full year on account of salvage value and residual life
 - ²foreign exchange impact on other
 - ³Retrospective change in bonus act impact during the quarter

*Q4 FY15 tax without one off would have been ~25%

Working Capital Management*

Cash Generation

₹ in Mn

	Q4 FY16	Q3 FY16	FY16	FY15
Cash Position (including liquid investments)	7,404**	7,382	7,290	6,030
Business Free Cash Flow	909	1,208	3,378	2,968
<i>as % of EBITDA</i>	73%	92%	65%	57%
Cash from Operations	1,094	1,420	4,043	3,702
Capital Expenditure	184	212	665	734
<i>as % of Sales</i>	2.5%	2.9%	2.4%	2.7%

- Robust Cash flow of ₹ 3,378 Mn (65% of EBITDA) for FY16 ; up by 14% from last year
- ** ₹ 7,747 Mn. including Rangsons

Days Sales Outstanding

In Days

	31-Mar-16	31-Dec-15	31-Mar-15
DSO (including Unbilled)	80^	86	83
- Billed	60	67	63
- Unbilled	20	19	20

^79 days including Rangsons.

*Excludes Product Realization/Rangsons

Hedge Book and Other Income

Outstanding Forward Contracts*

(in Millions – Respective currency)	Value	Value
	31-Mar-16	31-Dec-15
USD / INR	72.5	74.5
EURO / INR	24.0	24.0
GBP / INR	5.8	4.9
AUD / INR	7.2	7.2

Booked Rates (in ₹)

Currency	Next 12 Mths.
INR/USD	70.1
INR/EURO	78.1
INR/GBP	105.8
INR/AUD	50.7

- At Spot rate (31st Mar'16) Forward contract Gains in FY17 could be ~USD 6 Mn in FY17
- Company has hedged ~70% of inflows for next 12 months. Total hedge position US\$ equivalent ~\$113 Mn.

Other Income (OI) - Details

₹ in Mn

	Q4 FY16	Q3 FY16
Income from Treasury :-		
Interest on Investments / deposits	75	64
Dividend on mutual funds	9	6
Subtotal (A)	84	70.0
Foreign Exchange Gain/(Loss): -		
Gain/(Loss) on Forward Contracts	(17)	101
Gain/(Loss) on Restatement and translation	110	33
Subtotal (B)	93	134
Others (C)	45	42
Grand Total (A+B+C)	222	246

*Outstanding forward contracts exclude Rangsons

Product Realization Business – Key Metrics

Revenue	Product Realization		FY 16
	Q4 FY16	Q3 FY 16	
Revenue (in US\$ mn)	12.1	10.6	38.9
Revenue (in INR mn)	819.6	704.8	2573.0

Key Financial Metrics	Product Realization		FY 16
	Q4 FY16	Q3 FY 16	
Gross Margin	13.1%	12.2%	12.6%
Operating Margin	5.1% ^{1, 2,3}	3.7% ^{1,3}	4.1%

Geographies Mix	Product Realization		FY 16
	Q4 FY16	Q3 FY 16	
Americas	10.5%	22.3%	22.4%
Europe, Middle East, Africa & India	81.0%	51.0%	52.4%
Asia Pacific	8.5%	26.7%	25.2%

Note:

Product Realisation includes Rangsons legal entity as well as PR group in Cyient.

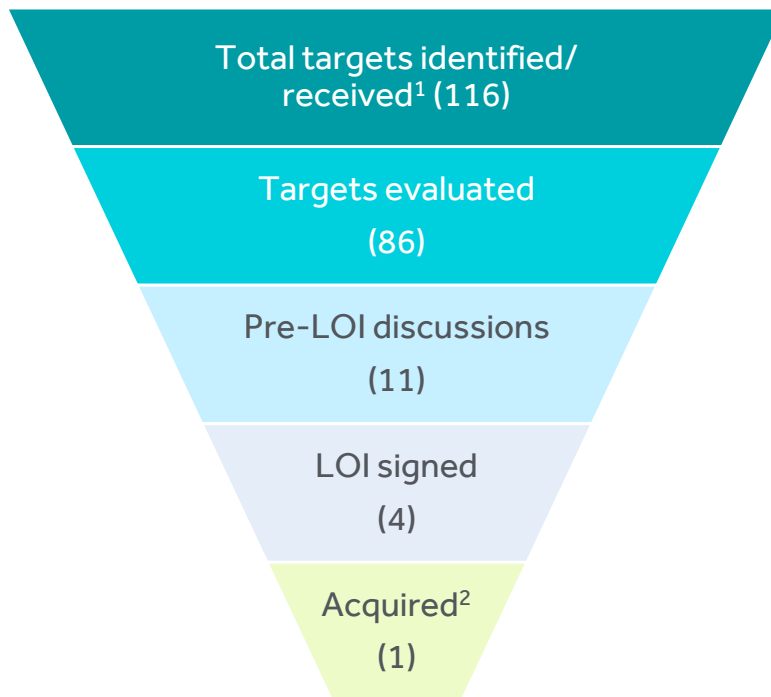
¹Q3 had one off SG&A expenses in PR, without these one offs the OPM would have been 4.7%

²Q4 Operating Margin does not include exceptional item on retrospective bonus impact

³Rangsons standalone Operating margin stands at 7.5% in Q4 as compared to 7.6% in Q3

M&A Pipeline and Focus Areas

Deal pipeline in FY16



Focus Areas FY16

Aerospace

- Engineering Design Services companies
- Design to manufacture for aerospace electronics
- Manufacturing engineering and repair engineering services

Medical

- Design to Build companies with OEM partnerships

Telecom

- Network Design and planning companies

Rail

- Rolling stock Engineering design
- Signalling Application Engineering & Testing
- Subsystem design & realization in Electronics
- Predictive Maintenance Solutions

Vertical focused M&A strategy in key markets of NAM, Europe and APAC.

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¹Targets identified/received FY16,

²excludes the divestiture of the IT business

Key Business Highlights

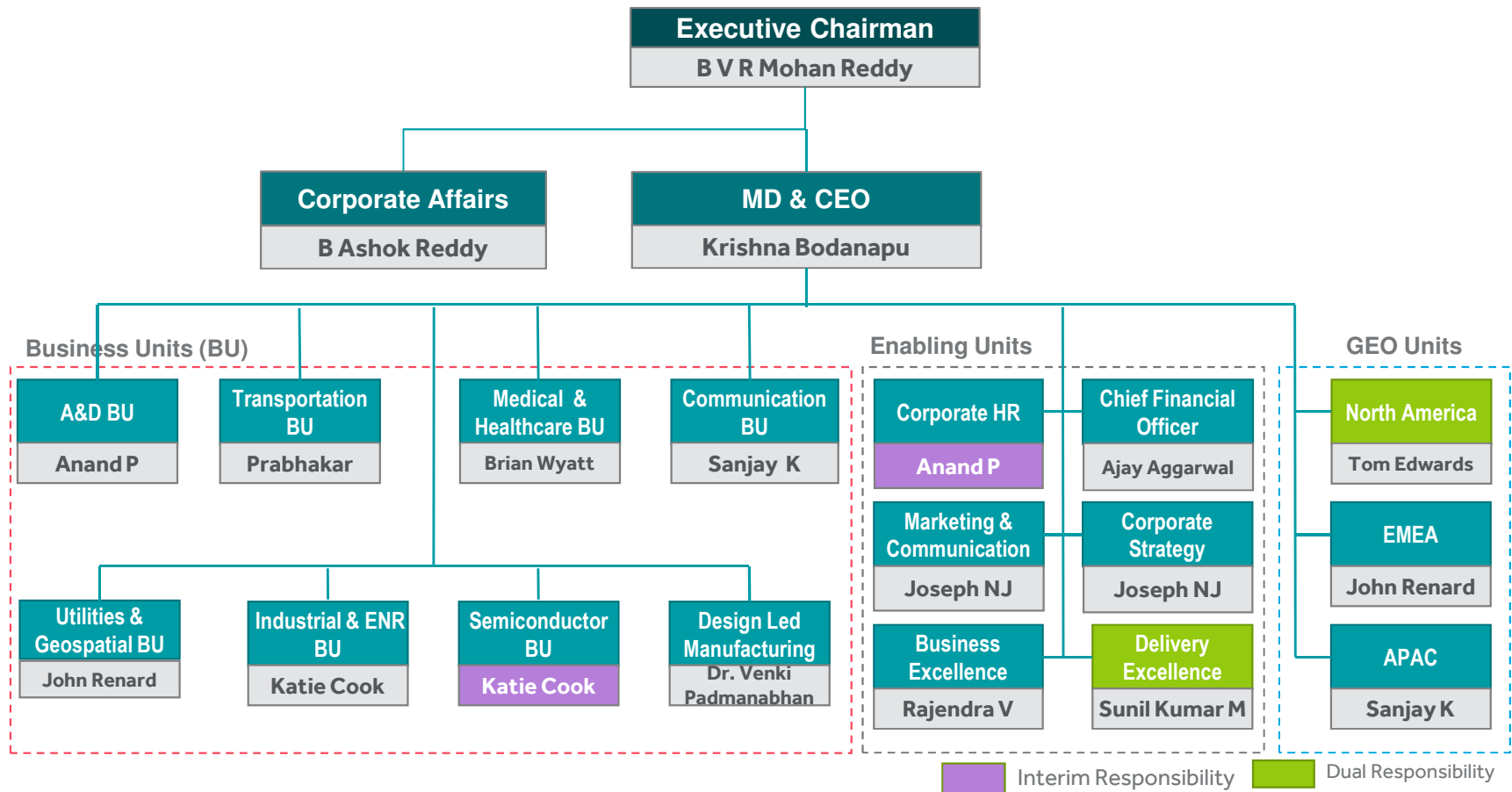
Business Highlights for Q4 FY 16

- Cyient has been reorganized into 8 industry focused business units, this will enable us to tie more closely with our S3 strategy and our 2020 aspirations.
- Cyient Executive Chairman, Dr. BVR Mohan Reddy receives the HMA Lifetime Achievement Award. This award honors Dr. BVR Mohan Reddy for his numerous accomplishment over the last four decades.
- Cyient's Rangsons and PR Business have been renamed to Design Led Manufacturing (DLM) with an intent to drive Design thinking in response to the increasing global competition, which is the 8th Business Unit.
- Cyient received the Boeing Supplier of the Year Award, 2015 in support and services category at an award ceremony on 13th April 2016 in Seattle, USA.
- Design Led Manufacturing (DLM) business received the Best Supplier Award from ABB for all round performance
- Cyient opened a new engineering center in Prague, Czech Republic this quarter. The center is designed to serve our clients with specialized near shore engineering solutions, across a wide variety of industry sectors.

CYIENT ORGANIZATION STRUCTURE

4/21/2016

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• A Look Ahead: Business Growth Outlook

Aerospace and Defence

The growth in 2016 is expected to be fuelled by increases in civil aircraft deliveries, increased spend on security, and growth in defence budgets of key nations around the world. Growth in APAC, manufacturing engineering and aftermarket with some of our large clients is expected to drive the revenue growth for the Business Unit.

Industrial, Energy and Natural Resources

The Oil and Gas market is expected to remain over supplied through 2016. Also, slow down in the mining industry is expected to continue through 2016 with companies continuing to focus on cost control and short-term liquidity mgmt. As a result we expect the growth to remain muted with only few key customers projecting growth. However, there will be a focus on electronics, software and manufacturing engineering services.

Transportation

Rail Transportation growth will be predominantly driven by increased rail infrastructure projects and refurbishment of signalling and other assets. Asia will offer the most opportunities for investment. With this we expect strong growth across Transportation business primarily driven by growth across some of the large customers.

Medical Technology and Healthcare

Global Medical Device market is expected to record a strong growth in 2016. The demand for wireless wearable devices and focus on telemedicine, IOT and partnerships will drive innovation and growth in the market. With focused effort on strategy execution and confidence in building strong customer base we expect to see a strong growth in this market. .

• A Look Ahead: Business Growth Outlook

21/04/2016

Semiconductor

Global Semiconductor market is expected to grow at a modest pace globally in 2016. This would be driven by increased focus on IOT and gaming segments. We expect a muted growth in this segment.

Utilities and Geospatial

Strong order pipeline and growth across all major customers is expected to drive growth across the Business Unit. Growth is expected to be strongest in Utilities, Transportation and Navigation based on expected "bounce back" in NAM utilities.

Communications

Asia Pacific is leading the global Telecommunications market with a significant growth potential. Going forward the growth will be driven by demand for increased bandwidth in wireless, increased focus on greener technologies and IOT. We expect to see strong growth across select key customers and our service management business backed by strong pipeline.

Design Led Manufacturing (DLM)

We expect to witness a strong growth across our DLM business with traction in Israeli offset orders & Indian Telecom Orders. Along with this growth in orders from other long term customers is expected to drive growth in 2016.

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Key Focus Areas for FY 17

- **Revenue Growth**

- Focus on double digit growth in the core business
- > 50% growth in DLM business

- **Top Client and New Areas Growth**

- Growth through Account Mining- Focus on Key Account Planning and Execution across Top 20 Clients
- Focus on New Areas – DLM, Med Tech and Analytics
- Execution of S3 Strategy – Completion of identified strategic opportunities across BU's

- **Margin Expansion through Operational Efficiency Improvements**

- Restoring historical margins for Softential & improved onsite margins: 100 - 150 bps
- Operational Improvements: Utilization, Higher Offshoring & Pyramid (50 - 100 bps each): 200 – 300 bps
- Better SG&A management and absorption net of investments: 75 - 100 bps
- Offset by Wage Hike ~ (200 bps) and Higher mix of DLM: 75 – 100 bps

- **Earnings Growth**

- EPS growth >15%

Risks and Challenges

- **Volatility** in currencies
- **Economic uncertainty**
- **Controlling wage Inflations**
- **Growth** in core business
- **Acquisition Performance**

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Q&A

